

PLEASE REPLY TO:  
State Capitol  
P.O. Box 7882  
Madison, WI 53707-7882  
(608) 266-5670

# Wisconsin State Senate



E-MAIL:  
Sen.Drzewiecki@legis.state.wi.us  
TOLL-FREE LEGISLATIVE HOTLINE:  
1-800-362-9472

**To: Members; Joint Survey Committee on Tax Exemptions**

**From: Senator Gary Drzewiecki**

**Date: January 6, 2000**

**Re: Support for Assembly Bill 456**

I am writing to respectfully request your support for Assembly Bill 456.

Earlier this year, a constituent in my district brought to my attention the fact that because he was retired, he was not eligible for an income tax deduction for his health insurance premiums. My office contacted the Department of Revenue who verified individuals with no employer are ineligible for the income tax deduction. However, individuals who are self-employed are eligible for a 100% deduction for their health insurance costs and individuals whose employer pays none of their health insurance costs are eligible for a 50% tax deduction for health care insurance costs.

My constituent indicated that he purchased his own health care insurance because he did not want to rely on taxpayers and be on Medicare, however he does not understand why he should not receive the same tax deductions as an individual who is employed. I could not provide a legitimate explanation why he should not be eligible.

I believe that any costs paid by individuals for their health care insurance should be tax-deductible, the same as long term care insurance. Assembly Bill 456 would create a 100% individual income tax deduction for the cost paid for health insurance by an unemployed or retired individual. It would also increase the deduction from 50% to 100% for individual's whose employer pays no amount of money for health care insurance.

Not only does Assembly Bill 456 bring a level of fairness to our tax code, but it also provides another incentive for individuals to purchase health insurance for themselves and their families. According to the Wisconsin Council on Children and Families, in 1998 over 10% of Wisconsin citizens did not have health insurance. Not only does this diminish the quality and quantity of health care these citizens receive, but eventually it raises health care costs for all of us.

A 100% deduction is another way to encourage people to obtain health insurance for themselves and their families.

I respectfully request your support for Assembly Bill 456 today. It has wide bipartisan support as well as the support of the State Medical Society, Coalition of Wisconsin Aging Groups and others.

If you have any questions or comments regarding the bill, please feel free to contact me.

Thank you for your consideration.

**JOINT COMMITTEE ON TAX EXEMPTIONS**

**Motion on 1999 Assembly Bill 456**

1999 Assembly Bill 456 is good public policy if the bill is amended to provide the following:

a. That not later than January 1, 2001, the Secretary of Administration must propose reductions in sum certain appropriations in any fund or reestimates of expenditures to be made from sum sufficient appropriations from the general fund for the 1999-2001 biennium in an amount equal to \$4,140,800 and must report these proposed reductions or reestimates to the Joint Committee on Finance.

b. That if the Cochairpersons of the Joint Committee on Finance do not notify the Secretary of Administration that the Committee has scheduled a meeting for the purpose of reviewing the proposed reductions or reestimates within 14 working days after the date of receiving the report, the Secretary must lapse or transfer the amount of the proposed reductions to the general fund or reestimate the expenditures to be made from the sum sufficient appropriations.

c. That if, within 14 working days after the date of receiving the report, the Cochairpersons of the Committee notify the Secretary of Administration that the Committee has scheduled a meeting for the purpose of reviewing the proposed reductions or reestimates, the Secretary of Administration must lapse or transfer to the general fund or reestimate the amounts approved by the Committee in a total amount equal to \$4,140,800 from the appropriations specified by the Committee.

# WISCONSIN BUDGET PROJECT

An initiative of the Wisconsin Council on Children and Families



## The Growth in Wisconsin's Uninsured: A Short-term Blip or Long-term Problem?

The number of uninsured people in Wisconsin grew nearly 50 percent in Wisconsin last year, according to new statistics from the United States Census Bureau. Just a year ago Governor Thompson was applauding the fact that Census Bureau figures showed that Wisconsin had the lowest percentage of uninsured people in the nation in 1996 and 1997. But the newly released figures for 1998 show that our state slipped from first to 13<sup>th</sup> in the percentage of people without health insurance.

This paper looks at some of the possible causes of this drop in access to health insurance, considers whether it might be just a statistical aberration, and discusses the current initiatives to reduce the number of uninsured Wisconsin families.

### The Numbers of Uninsured

The U.S. Census Bureau conducts an annual survey of the health insurance status of people across the country. The recently released 1998 data reveal the following about access to health care in Wisconsin:

- The estimated number of uninsured people in Wisconsin (defined as those without insurance for a full year) rose to about 604,000 last year, an increase of nearly 50 percent.
- The portion of the state population lacking health insurance climbed to an estimated 11.8 percent, from 8.0 percent in 1997.
- If the data is used to rank the states, Wisconsin dropped from having the lowest rate of uninsured people in 1997 to 13<sup>th</sup> place last year (although ranking is made somewhat problematic by sampling error in the surveys).

Because the number of people surveyed in each state is relatively small, the Census Bureau's estimates have a fairly large margin of error. For Wisconsin the error range for the number of people uninsured last year is plus or minus 40,000 (or 0.7% of the state population). Although the survey methodology and sampling error could account for a portion of the apparent upsurge in uninsured Wisconsin residents in 1998, the size of that change indicates quite clearly that there has been a significant increase in the ranks of the uninsured.

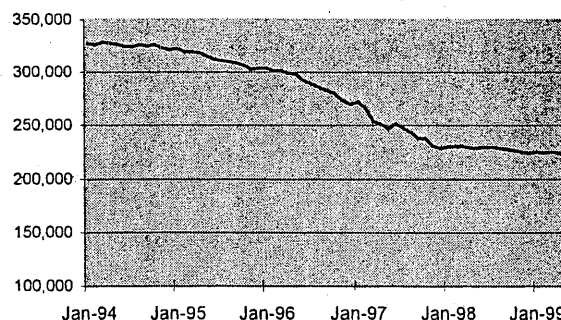
### Declining Medicaid Enrollment

There are two principal reasons that are often cited as explanations for the rising number of uninsured people across the country. The first of these is the "delinking" of welfare and eligibility for Medicaid.

Welfare reform has lowered Medicaid (MA) enrollment in two ways. First, many people who left the welfare system incorrectly thought that they were no longer eligible for any public assistance benefits. This misperception has contributed to sharp declines across the country in both the Medicaid and food stamp programs.

Another impact of welfare reform is that some families who entered the workforce or increased their hours now make a little too much to be eligible for Medicaid, yet work in jobs that do not provide health insurance. This has especially affected the eligibility of adults and older children (because children under six remain eligible for MA up to 185% of poverty).

Medicaid Enrollment: 1994-1999



The table above shows the number of Wisconsin's low-income children and parents enrolled in Medicaid (including Healthy Start) from 1994 through May 1999. That number dropped from more than 329,000 in March 1994 to about 223,000 in May of this year, a decline of 32 percent.

Of course, other states have also experienced declines in their Medicaid enrollment. But because Wisconsin began welfare reform sooner, our Medicaid rolls declined more by 1998 than they generally did elsewhere. In addition, other states were able to

## The Growth in Wisconsin's Uninsured: A Short-term Blip or Long-term Problem?

implement new Children's Health Insurance Programs (using the enhanced federal "CHIP" funding) in 1998, whereas the new BadgerCare program did not begin until July 1999.

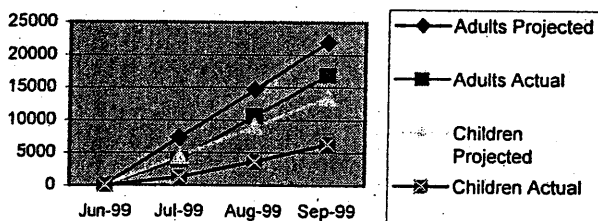
Although people have been predicting that the Medicaid enrollment decline in Wisconsin would result in an increase in the number of uninsured children and parents, the curious aspect of the Census Bureau data is that this increase did not show up until 1998. This raises questions about whether some of the earlier decline in insurance coverage was masked by sampling error and non-sampling problems with the Census Bureau methodology, or whether factors other than Medicaid enrollment also played a significant role in the large growth in the uninsured last year.

In addition to welfare reform, a frequent explanation for the rising ranks of the uninsured is growth in the types of employment that are less likely to provide insurance benefits, such as part-time jobs, independent contracting, and employment with small businesses. These trends may be contributing to the growth in the uninsured population in Wisconsin, but it is not apparent why such factors would have caused our ranking to slip relative to other states.

### BadgerCare Trails Expectations

In July 1999, Wisconsin began to implement the BadgerCare program, which significantly expands access to health insurance for the "working poor". This program for low-income children and parents may reverse, or at least halt, the increase in uninsured people in our state.

BadgerCare Enrollment:  
Projected vs. Actual



Although BadgerCare has grown at a substantial clip over the program's first three months, the enrollment at the end of September is 53 percent below the projected number of children (and off 35% overall). The chart above compares the actual growth rate to the projections used by the Legislative Fiscal Bureau in preparing the budget bill (which were lower than the projections made by DHFS). It is too early to say whether the slower than anticipated expansion reflects

significant enrollment problems or just an overly optimistic initial estimate of the program's growth.

### Budget Bill Initiatives

The recently passed budget bill contains a number of significant, bipartisan initiatives to improve enrollment in Medicaid and BadgerCare, including:

- **Outreach** – The bill requires DHFS, in conjunction with DPI, to notify all children who participate in the national school lunch program that they may qualify for BadgerCare.
- **Asset Test** – It eliminates the asset limits for AFDC-related Medicaid to be consistent with the guidelines for BadgerCare and Healthy Start, which simplifies enrollment and reduces administrative costs.
- **CARES System Changes** – The budget requires DHFS and DWD to improve the computerized eligibility system for Medicaid, BadgerCare, food stamps, child care and W-2 by developing a plan to allow individuals applying for more than one program to be determined eligible for each program independently of their other applications.
- **Unified Program Eligibility** – It directs DWD, DHFS and DPI to develop a plan for a simplified and unified application process for Medicaid, BadgerCare, food stamps, reduced and free school lunches and the supplemental food program for women, infants and children (WIC).
- **Medicaid Eligibility Consolidated in DHFS** – The bill transfers all responsibilities for Medicaid eligibility and administration from DWD to DHFS, to minimize confusion and systems delays.

### Conclusion

The growth in the number of uninsured people in Wisconsin to about 600,000 last year appears to have resulted at least in part from the decrease in Medicaid enrollment, stemming from welfare reform. Changes in the types of employment may also be playing a role.

The implementation of BadgerCare should reverse the trend toward a growing number of uninsured people in our state. However, the initial enrollment of children is less than half the projected growth rate.

A number of initiatives in the budget bill could help to improve Medicaid and BadgerCare outreach and enrollment, and thereby ensure that the 1998 rise in Wisconsin's uninsured population is a one-time event, rather than a long-term trend.

CWAG

Thomas L. Frazier, *Executive Director*

## Coalition of Wisconsin Aging Groups

January 5, 2000

Senator Gary Drzewiecki  
State Capitol - 19S  
P. O. Box 7882  
Madison, Wisconsin 53707-7882

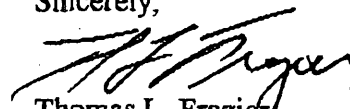
Dear Senator Drzewiecki:

I am writing to express our support for AB 456 which provides for 100% tax deductibility for health insurance premiums paid by an individual. As you know, health insurance premiums represent a major out-of-pocket expense for older persons that in many instances can run several thousand dollars a year.

While federal law regarding the amount that can be deducted limits the amount to a percentage of adjusted gross income, the bill will still help many people and will be consistent with the tax deduction for long-term care insurance premiums passed a year or two ago.

I would appreciate your sharing our position on AB 456 with other members of the Joint Committee on Tax Deductions.

Sincerely,



Thomas L. Frazier  
Executive Director



**TO:** Senator Russell Decker, Co-chair  
Representative Eugene Hahn, Co-chair  
Members, Joint Survey Committee on  
Tax Exemptions

**FROM:** Kathy Andersen, Associate Director  
Government Relations

**DATE:** January 6, 2000

**RE:** Support for AB 456

On behalf of the physician members of the State Medical Society of Wisconsin, and the patients they serve, I would like to express support for AB 456.

On a daily basis, physicians see uninsured and underinsured patients. These patients often want insurance, however, cannot afford it. Assembly Bill 456 creates a significant incentive for individuals who do not benefit from employer paid health insurance to purchase insurance on their own. By allowing 100% of the medical insurance premium to be deductible you would also be providing similar treatment to individuals who are not self-employed.

The State Medical Society encourages you to provide tax equity to all individuals who want to purchase health insurance for themselves and their families.